

TELIA

7/21/2025 4:15 pm EEST

This is a translated version of "Yritysjärjestelyiden
värittämät päivät" report, published on 7/21/2025



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COMPANY REPORT



Days marked by M&A

We raise the target price of Telia's share to SEK 35.0 (was 34.0), reflecting estimate changes, and reiterate our Reduce recommendation. Overall, Telia's Q2 report was relatively in line with our expectations. However, the M&A news of the last few days took the spotlight. We expect the company to grow in line with guidance, which is a good level by historical standards. The valuation picture of the stock (2025e P/E 16x and EV/EBIT 15x) remains neutral given the already tight earnings growth expectations.

The result was in line with expectations in Q2

Telia's revenue in the second quarter decreased by 2% to 19,787 MSEK, and excluding currency effects and M&A, revenue increased by +1%. Revenue (3%) was below our expectations. Of the largest geographic markets, Sweden met our expectations, while operations in Finland and Norway fell short. Adjusted EBITDA increased by 6% to 7,787 MSEK and was in line with our and consensus expectations. The adjusted EBITDA margin was 40.3%, up 2 percentage points year-on-year, driven by substantial cost savings.

Focus on M&A news

Telia announced on Thursday that it had signed a Memorandum of Understanding regarding the sale of its Latvian operations. The parties aim to sign a final agreement by the end of Q4'25 and are targeting a closing of the transaction in Q1'26. Additionally, on Friday morning, Telia reported on a public offer to acquire the Swedish fiber network provider Bredband2. Bredband2's revenue represents approximately 5% of Telia's revenue and 1% of its EBITDA. If the transaction is completed, Telia expects to realize relatively significant synergies given the size of the transaction. The EV/EBITDA valuation of the transaction corresponds to 10x, using 2024 figures. In our view, the valuation is somewhat high before synergies, given that the deal mainly involves buying customer accounts. In addition, Bredband2's profitability is under pressure this year as a result of marketing efforts and discounts. Although 50% of Bredband2's shareholders have committed to the takeover bid, the completion of the transaction requires the approval of

more than 90% of shareholders, which we estimate will take time. We also do not expect the deal to be straightforward for the competition authorities, as we understand that the fiber market share will reach almost 50%. This acquisition aligns with the company's recent statements about its desired market position: first or second. Telia also completed the sale of its TV & Media business at the beginning of July.

Strong profit growth in 2025 due to cost savings

In 2025, the company expects comparable service revenue to grow by 2% (below 2% in H1'25 and above in H2), comparable EBITDA to grow by at least 5% (lower in Q3 and higher in Q4), investments of less than 14 BNSEK and free cash flow of 7.5 BNSEK. In our view, this year's guidance is realistic, but our forecasts coincide with the guidance levels (revenue +2% and EBITDA +5%). Revenue growth in H2 will be supported by price increases, as well as by the corporate and public sectors. Profitability, on the other hand, is driven by the substantial cost savings of 2.6 billion implemented in Q4'24 and the continuous annual cost savings of around 1 billion. In our view, it is now important for the company to continue to grow earnings and further improve cash flow in order to restore confidence in its sustainable business and reduce risk levels.

Valuation picture is neutral

We forecast Telia's adjusted P/E and EV/EBIT multiples for 2025e to be 16x and 15x, respectively. The multiples are approximately 15% below the Nordic peers and below the entire peer group. In our view, the valuation is even cautiously attractive in absolute and relative terms, but considering the improved earnings level in the current year's forecasts (where Q1 was the best quarter), previous numerous disappointments, and the level of risk associated with earnings growth in the coming years, the overall picture is still neutral. The dividend yield (6%) partially limits the stock's downside, but it is not yet sustainable and thus does not act as a safety cushion. A positive view on Telia would require better evidence of sustained performance growth without further setbacks.

Recommendation

Reduce
(was Reduce)

Target price:

SEK 35.00
(was SEK 34.00)

Share price:

SEK 34.96

Business risk



Valuation risk



	2024	2025e	2026e	2027e
Revenue	80965	81871	83160	84787
growth-%	-9%	1%	2%	2%
EBITDA (adj.)	30892	32320	32750	33686
EBITDA-% (adj.)	38.2 %	39.5 %	39.4 %	39.7 %
Net Income	4219	8525	8649	9166
EPS (adj.)	1.48	2.29	2.36	2.51
P/E (adj.)	20.7	15.3	14.8	13.9
P/B	2.6	3.0	2.9	2.8
Dividend yield-%	6.5 %	5.7 %	5.9 %	6.0 %
EV/EBIT (adj.)	17.3	15.1	14.6	13.7
EV/EBITDA	7.3	7.0	6.9	6.7
EV/S	2.6	2.7	2.7	2.6

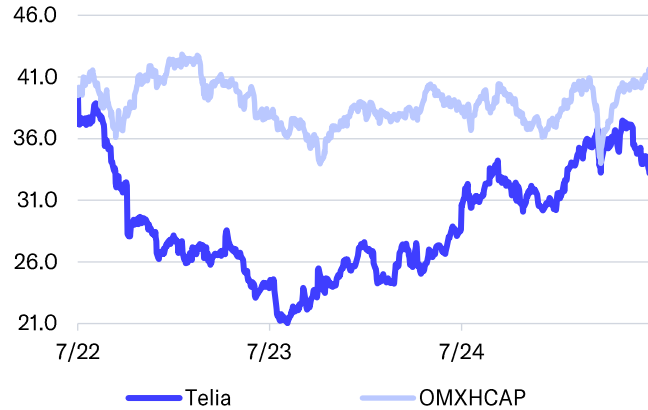
Source: Inderes

Guidance

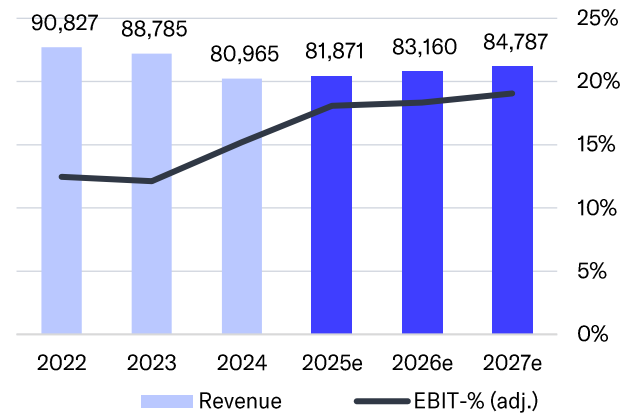
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In 2025, the company expects comparable service revenue growth of 2%, comparable EBITDA growth of at least 5%, capital expenditure below 14 BNSEK and free cash flow of approximately 8 BNSEK.

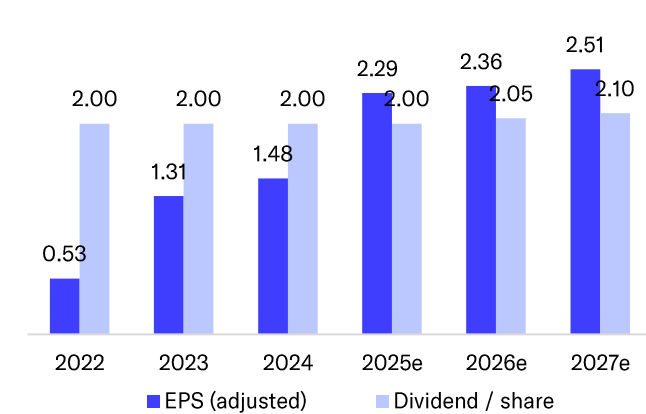
Share price



Revenue and EBIT-% (adj.)



EPS and dividend



Value drivers

- Continuing the turnaround in Sweden and a turnaround in Finland and Norway
- Earnings growth through top-line growth and profitability improvement
- 5G opportunities
- Strong cash flow
- Acquisitions
- Divestment of non-strategic businesses

Risk factors

- Realization of cost savings
- Intensified competition
- Delay or failure in the implementation of the new strategy
- Sweden's high ownership in Telia and the restriction of consolidation
- Structural changes in the industry
- Intensified inflation

Valuation	2025e	2026e	2027e
Share price	35.0	35.0	35.0
Number of shares, millions	3923	3923	3923
Market cap	137152	137152	137152
EV	223139	222255	221078
P/E (adj.)	15.3	14.8	13.9
P/E	16.1	15.9	15.0
P/B	3.0	2.9	2.8
P/S	1.7	1.6	1.6
EV/Sales	2.7	2.7	2.6
EV/EBITDA	7.0	6.9	6.7
EV/EBIT (adj.)	15.1	14.6	13.7
Payout ratio (%)	92.0 %	93.0 %	89.9 %
Dividend yield-%	5.7 %	5.9 %	6.0 %

Source: Inderes

Result in line with expectations in Q2, and M&A stole spotlight

Comparable revenue grew slightly in Q2 but missed our expectations

Telia's revenue in the second quarter decreased by 2% to 19,787 MSEK, and excluding currency effects and M&A, revenue increased by +1%. Revenue (3%) was below our expectations. Comparable growth in service revenues slowed down slightly and was 1% (Q1: 2%), which is somewhat concerning. Of the largest geographic markets, Sweden met our expectations, while operations in Finland and Norway fell short. The company had previously commented that H1 would be weaker than H2 in terms of revenue and EBITDA development.

EBITDA was in line with our forecasts

Adjusted EBITDA increased by 6% to 7,787 MSEK and was in line with our and consensus expectations. The adjusted EBITDA margin was 40.3%, up 2 percentage points year-on-year, driven by substantial cost savings. In the lower rows, depreciation and financing costs were both around 0.1 BNSEK less than expected. Consequently, earnings per share from continuing operations were 0.50, slightly above our and the market's expectations (0.47 and 0.43).

Focus on M&A news

Telia announced the previous evening that it had signed a Memorandum of Understanding to sell its Latvian operations with the Republic of Latvia, Latvenergo and LVRTC. Telia would sell all of its shares in fixed network operator Tet and mobile network operator LMT. Telia's proportionate ownership in the two companies is 49% of the shares in Tet and 60.3% of the shares in LMT. The parties aim to sign a final agreement by the end of 2025 and are targeting a closing of the transaction in the first half of 2026. The companies did not disclose the purchase price at this time.

On the morning of the results day, Telia announced a cash offer of SEK 3.25 per share for Bredband2. Bredband2 is the third-largest provider of fiber networks to Swedish consumers and operates on open city networks. Bredband2 had a revenue of 1,727 MSEK and an EBITDA of 287 MSEK in 2024, corresponding to approximately 5% of Telia's revenue and 1% of its EBITDA. Upon completion of the transaction, Telia expects to realize synergies of approximately 200 MSEK, half of which will be revenue-related and half will be cost-related, i.e., the synergies will be relatively significant.

The EV of the transaction is 3 BNSEK. The EV/EBITDA valuation of the transaction thus corresponds to 10x, using 2024 figures. In our view, the valuation is neutral at best before synergies, given that the deal mainly involves buying customer accounts. In addition, Bredband2's profitability is under pressure this year as a result of marketing efforts and discounts. Bredband2's board of directors recommends the offer, which is backed by commitments from the five largest shareholders, representing 50.2% of the shares. However, closing the deal requires the approval of more than 90% of shareholders, which we estimate will take time. The now-announced acceptance period begins in September and ends in mid-October. Additionally, the offer must be approved by the competition authorities. We understand that following the transaction, Telia and Bredband2's combined fiber market share would reach almost 50%. Thus, we do not consider the deal to be a clear-cut case from the competition authorities' point of view either.

This acquisition aligns with the company's recent statements about its desired market position: first or second. Telia also completed the sale of its TV & Media business at the beginning of July.

Estimates	Q2'24	Q2'25	Q2'25e	Q2'25e	Consensus		Difference (%)		2025e
MSEK	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes		Inderes
Revenue	20182	19787	20317	19908	19678	- 20479	-3%		81871
EBITDA (adj.)	7738	7966	7939	7827	7514	- 8082	0%		32172
EBIT (incl. associates)	3020	3351	3368	3260	2872	- 3528	-1%		14338
PTP	2121	2602	2488	2439	2028	- 2631	5%		11436
EPS (continuing operations)	0.40	0.50	0.47	0.43	0.36	- 0.49	7%		2.29
Revenue growth-%		-2.0 %	0.7 %	-1.4 %	-2.5 %	- 1.5 %	-2.6 pp		1.1 %
EBITDA (adj.)-%	38.3 %	40.3 %	39.1 %	39.3 %	38.2 %	- 39.5 %	1.2 pp		39.3 %

Source: Inderes & Telia Company, 12-15 estimates (consensus)

We slightly increased our earnings estimates

Estimate revisions

- We increased our earnings estimates for the coming years slightly, mainly due to lower-than-forecast depreciation levels.
- We will add the Bredband2 acquisition to our forecasts once it materializes. The impact of the Bredband2 acquisition on revenue and EBITDA is approximately 5% and 1% per year, respectively, before synergies (200 MSEK).
- We will include the sale of the Latvian operations when the transaction and its timing are confirmed.

Guidance for 2025 and our expectations

- In 2025, the company expects comparable service revenue to grow by 2% (below 2% in H1'25 and above in H2), comparable EBITDA to grow by at least 5% (lower in Q2-Q3 and higher in Q4), investments of less than 14 BNSEK and free cash flow of 7.5 BNSEK.
- We forecast revenue to grow by 2% and adjusted EBITDA by 5% in 2025. In 2026-2027, we expect revenue to grow by 2% and profitability to remain at the 2025 level.

Operational earnings drivers

- Service revenue growth driven by 5G and faster subscription sales.
- Low attrition and price increases across the sector are supporting revenue and especially profitability.
- Extensive cost savings of 2.6 BNSEK implemented in 2024 and continuous annual efficiency measures of around 1 BNSEK.

Telia's financial targets for 2025-27 are:

- Comparable service revenue growth of 2% per year on average
- Comparable annual average EBITDA growth of 4%
- Investments excluding licenses and spectrum fees under 14 BNSEK per year
- Free cash flow of at least 10 BNSEK in 2027

Estimate revisions	2025e	2025	Change	2026e	2026e	Change	2027e	2027e	Change
MSEK	Old	New	%	Old	New	%	Old	New	%
Revenue	82401	81871	-1%	83696	83160	-1%	85335	84787	-1%
EBITDA	31984	31861	0%	32722	32750	0%	33547	33686	0%
EBIT (exc. NRIs)	14634	14797	1%	14747	15240	3%	15568	16158	4%
EBIT	14323	14338	0%	13847	14640	6%	14568	15458	6%
PTP	10935	11436	5%	10911	11798	8%	11456	12468	9%
EPS (continuous operations)	2.14	2.29	7%	2.27	2.36	4%	2.40	2.51	5%
DPS	2.00	2.00	0%	2.05	2.05	0%	2.10	2.10	0%

Source: Inderes

Valuation picture is neutral

Valuation multiples

Historically, it has been difficult to compare Telia with competitors with earnings multiples, because e.g., Telia's EBITDA does not show the income from minority holdings (they are reported in EBIT) and discontinued operations are only reflected in net income. In addition, Telia has a significant number of negative and positive one-off items each year, which must be adjusted to ensure comparability. These items have gradually decreased, but they continue to occur every year. There is also a constant need for restructuring, which amounts to 500-1,000 MSEK per year, or a few percent of EBITDA.

In the big picture, Telia's risk profile compared to the general stock market is still moderate, although the company's previous disappointments still partly keep us cautious. The operator business has performed better than in the past between 2022 and 2025, with the exception of a small dip last year. Telia's risk profile clearly differs from that of its competitor Elisa, for example, which has systematically and continuously improved its efficiency for over a decade, has been able to reduce macroeconomic pressures much more effectively through its actions and has developed solidly and predictably in operational terms.

With our estimates, Telia's adjusted P/E and EV/EBIT ratios for 2025 are 16x and 15x. The multiples are about 15% below the Nordic peers and also below the entire peer group. In absolute and relative terms, we believe the valuation is even cautiously attractive. However, considering the improved earnings level in the current year's forecasts (and that the best quarter is behind us), the numerous previous disappointments, and the level of risk associated with earnings growth in the coming years, we believe the overall picture is neutral. The multiples are below the company's own five-year average (19x and 18x). Given the rising expected returns, the valuation is also neutral from this perspective.

Expected return is not quite enough yet

The expected return on Telia's share mainly consists of the dividend yield (6%), the sustainability of which is still questionable. We forecast earnings growth of around 3% in the coming years, with a high level of risk. We consider the valuation to be neutral. The expected rate of return just exceeds the expected return on equity. However, this alone is not sufficient to justify a positive view.

DCF calculation

The DCF calculation supports our view on the share (SEK 36). The last five years or so have been a rollercoaster ride for Telia, with many disappointments. In addition, the overall business mix has changed significantly (Eurasia and masts divested, Danish operations sold and TV & Media acquired and now sold, Latvian operations currently being sold and Bredband2 acquired). These factors continue to undermine the predictability and comparability of long-term cash flows, even though most quarters in recent years have been relatively good.

Our DCF model indicates a value of SEK 35.6 per share for Telia. The model assumes that the company's revenue growth will be about 2% in the medium term and 2.0% in the terminal. We forecast an EBIT margin of around 16-19% between 2024 and 2030 and 19% in the terminal period. The forecasts are relatively ambitious, which is also reflected in the high terminal weight in the valuation (59%).

With a predictable and stable business relative to the general market, we continue to use a low (7.4%) discount rate (WACC) compared to the general market. The weighting of the DCF still relies heavily on the terminal value, but it serves as one of the approaches for Telia's valuation and reflects the fact that the stock is fully priced.

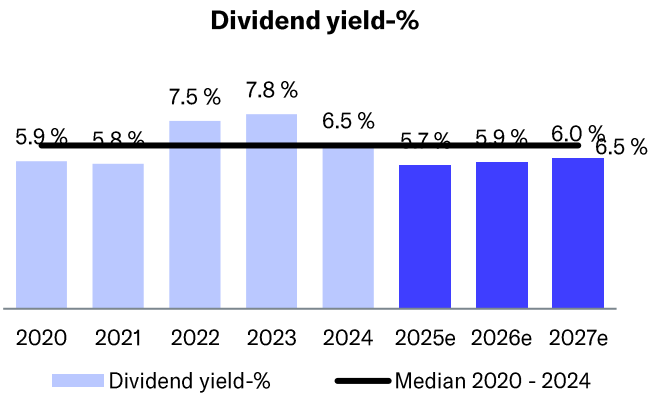
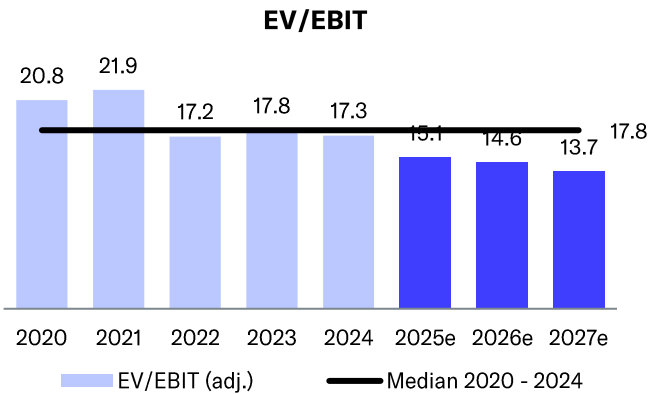
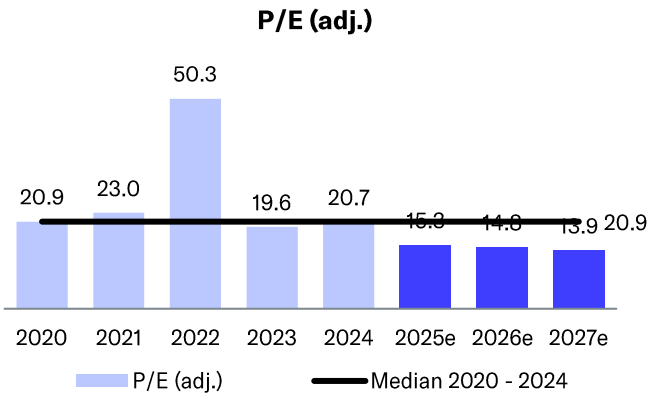
Valuation	2025e	2026e	2027e
Share price	35.0	35.0	35.0
Number of shares, millions	3923	3923	3923
Market cap	137152	137152	137152
EV	223139	222255	221078
P/E (adj.)	15.3	14.8	13.9
P/E	16.1	15.9	15.0
P/B	3.0	2.9	2.8
P/S	1.7	1.6	1.6
EV/Sales	2.7	2.7	2.6
EV/EBITDA	7.0	6.9	6.7
EV/EBIT (adj.)	15.1	14.6	13.7
Payout ratio (%)	92.0 %	93.0 %	89.9 %
Dividend yield-%	5.7 %	5.9 %	6.0 %

Source: Inderes

Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	34.0	35.4	26.7	25.7	30.7	35.0	35.0	35.0	35.0
Number of shares, millions	4090	4090	4035	4035	3923	3923	3923	3923	3923
Market cap	138884	144793	104830	101173	120322	137152	137152	137152	137152
EV	223553	217034	194448	191731	212721	223139	222255	221078	219474
P/E (adj.)	20.9	23.0	50.3	19.6	20.7	15.3	14.8	13.9	13.0
P/E	neg.	12.6	neg.	neg.	28.5	16.1	15.9	15.0	14.1
P/B	2.6	2.1	1.9	2.3	2.6	3.0	2.9	2.8	2.8
P/S	1.6	1.6	1.2	1.1	1.5	1.7	1.6	1.6	1.6
EV/Sales	2.5	2.5	2.1	2.2	2.6	2.7	2.7	2.6	2.5
EV/EBITDA	7.4	6.2	6.6	6.8	7.3	7.0	6.9	6.7	6.5
EV/EBIT (adj.)	20.8	21.9	17.2	17.8	17.3	15.1	14.6	13.7	12.8
Payout ratio (%)	neg.	73%	neg.	neg.	186%	92%	93%	90%	95%
Dividend yield-%	5.9 %	5.8 %	7.5 %	7.8 %	6.5 %	5.7 %	5.9 %	6.0 %	6.7 %

Source: Inderes



The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years.

Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
			2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e
Tele2	9238	11761	19.5	17.5	10.4	9.9	4.4	4.4	22.6	19.5	4.8	6.0	4.9
Elisa	7661	9163	17.5	16.5	11.2	10.8	4.0	3.9	18.9	17.6	5.3	5.5	5.7
Telenor	18830	26436	16.7	15.5	8.8	8.5	3.9	3.8	19.2	16.3	5.9	6.0	3.2
BT	22770	46264	12.2	12.3	4.9	4.9	2.0	2.0	10.8	11.1	4.0	4.2	1.5
Proximus	2731	7223	10.5	10.8	3.7	3.7	1.1	1.1	6.5	7.0	7.2	7.4	0.6
Orange Belgium	1176	3259	20.3	22.3	5.9	6.1	1.6	1.6	38.8	20.1			1.9
Swisscom AG	31044	48198	21.7	20.8	7.5	7.2	3.0	3.0	21.0	20.1	4.5	4.6	2.4
Telekom Austria AG	6406	8383	9.3	8.7	4.0	3.9	1.5	1.5	10.0	9.4	4.5	4.9	1.2
Telia (Inderes) MSEK	137152	223139	15.1	14.6	7.0	6.9	2.7	2.7	15.3	14.8	5.7	5.9	2.4
Average			15.5	14.9	7.1	6.9	2.8	2.8	18.0	15.1	4.9	5.2	2.8
Median			15.8	14.8	7.1	6.8	2.8	2.8	18.1	16.1	4.5	4.9	2.3
Diff-% to median			-4%	-1%	-1%	2%	-4%	-5%	-16%	-8%	27%	20%	5%
Median (Nordic)			17.5	16.5	10.4	9.9	4.0	3.9	19.2	17.6	5.3	6.0	4.9
Difference-% cf. median (Nordic)			-14%	-12%	-33%	-30%	-32%	-31%	-20%	-16%	8%	-2%	-50%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue	90827	88785	19360	20182	20003	21419	80965	20035	19787	20229	21820	81871	83160	84787	86596
Sweden	35112	35869	8707	8813	8585	9286	35392	8894	9042	8783	9519	36238	36999	37739	38493
Finland	15190	16545	3753	3901	3770	4084	15507	3756	3641	3789	4125	15310	15540	15850	16247
Norway	15022	15114	3512	3564	3665	3566	14307	3415	3249	3445	3387	13496	13631	13836	14113
Lithuania	4784	5516	1331	1383	1388	1516	5618	1366	1334	1430	1577	5707	5821	5995	6175
Estonia	3637	4145	981	1019	1019	1076	4095	1025	983	1080	1152	4240	4282	4411	4543
Other businesses	13032	13410	1077	1502	1576	1891	6046	1579	1538	1702	2061	6880	6887	6956	7025
EBITDA	29417	28392	6925	7498	8239	6641	29303	7942	7667	8378	7874	31861	32150	32986	33892
EBITDA (adj.)	30328	30254	7312	7738	8250	7593	30892	7803	7965	8528	8024	32320	32750	33686	34692
Depreciation	-38936	-23517	-4321	-4497	-4397	-5375	-18589	-4365	-4340	-4410	-4408	-17524	-17510	-17528	-17560
EBIT (excl. NRI)	11310	10758	2991	3241	3853	2218	12303	3438	3625	4118	3616	14797	15240	16158	17131
EBIT	-9519	4875	2605	3001	3842	1266	10714	3577	3327	3968	3466	14338	14640	15458	16331
Share of profit of associated companies	0	105	37	19	9	55	120	25	24	29	29	107	130	130	130
Net financial items	-3366	-3875	-1221	-899	-714	-1765	-4600	-769	-750	-750	-740	-3009	-2972	-3120	-3258
PTP	-12783	1105	1420	2121	3137	-444	6234	2833	2601	3247	2755	11436	11798	12468	13203
Taxes	-1381	-1099	-308	-398	-669	63	-1313	-557	-434	-649	-551	-2191	-2415	-2554	-2706
Minority interest	-474	-594	-160	-168	-187	-187	-702	-183	-206	-165	-165	-720	-734	-749	-764
Net earnings	-14638	-588	952	1555	2281	-568	4219	2093	1961	2432	2039	8525	8649	9166	9733
EPS (continuing operations)	-3.63	-0.15	0.24	0.40	0.58	-0.14	1.08	0.53	0.50	0.62	0.52	2.17	2.20	2.34	2.48

Key figures	2022	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	2.8 %	-2.2 %	-11.0 %	-8.0 %	-9.1 %	-7.3 %	-8.8 %	3.5 %	-2.0 %	1.1 %	1.9 %	1.1 %	1.6 %	2.0 %	2.1 %
Adjusted EBIT growth-%		-4.9 %	29.2 %	30.7 %	6.5 %	-5.4 %	14.4 %	14.9 %	11.9 %	6.9 %	63.0 %	20.3 %	3.0 %	6.0 %	6.0 %
EBITDA-% (adj.)	32.4 %	34.1 %	37.8 %	38.3 %	41.2 %	35.4 %	38.2 %	38.9 %	40.3 %	42.2 %	36.8 %	39.5 %	39.4 %	39.7 %	40.1 %

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	172878	170878	166304	166387	166540
Goodwill	66020	65442	65442	65442	65442
Intangible assets	0	0	0	0	0
Tangible assets	87004	86014	81440	81523	81676
Associated companies	6742	10964	10964	10964	10964
Other investments	0	0	0	0	0
Other non-current assets	11929	7383	7383	7383	7383
Deferred tax assets	1183	1075	1075	1075	1075
Current assets	53590	33394	28848	28803	29328
Inventories	2307	1869	1890	1920	1957
Other current assets	2851	1935	1935	1935	1935
Receivables	28476	19778	18830	19127	19501
Cash and equivalents	19956	9812	6193	5821	5935
Balance sheet total	226468	204272	195153	195190	195869

Source: Inderes

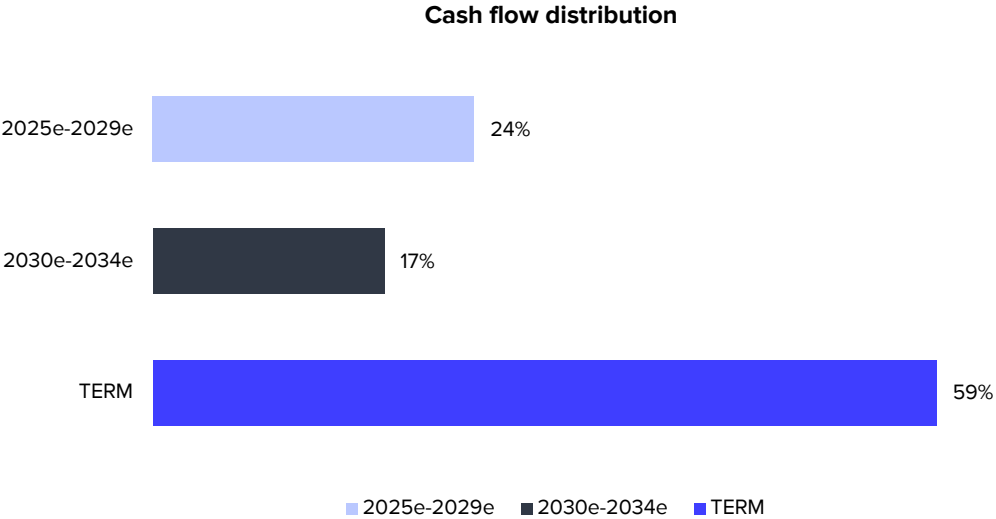
Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	56994	59357	60173	60976	52137
Share capital	14961	14961	14961	14961	14961
Retained earnings	28545	30516	31332	32135	33258
Hybrid bonds	9962	9962	9962	9962	0
Revaluation reserve	0	0	0	0	0
Other equity	0	0	0	0	0
Minorities	3526	3918	3918	3918	3918
Non-current liabilities	115316	103792	96869	96752	104316
Deferred tax liabilities	9013	9079	9079	9079	9079
Provisions	5710	5697	5697	5697	5697
Interest bearing debt	86657	81923	75000	74883	82447
Convertibles	0	0	0	0	0
Other long term liabilities	13936	7093	7093	7093	7093
Current liabilities	54158	41123	38111	37462	39415
Interest bearing debt	14069	10108	7000	5862	7197
Payables	35920	31015	31111	31601	32219
Other current liabilities	4169	0	0	0	0
Balance sheet total	226468	204272	195153	195190	195869

DCF-calculation

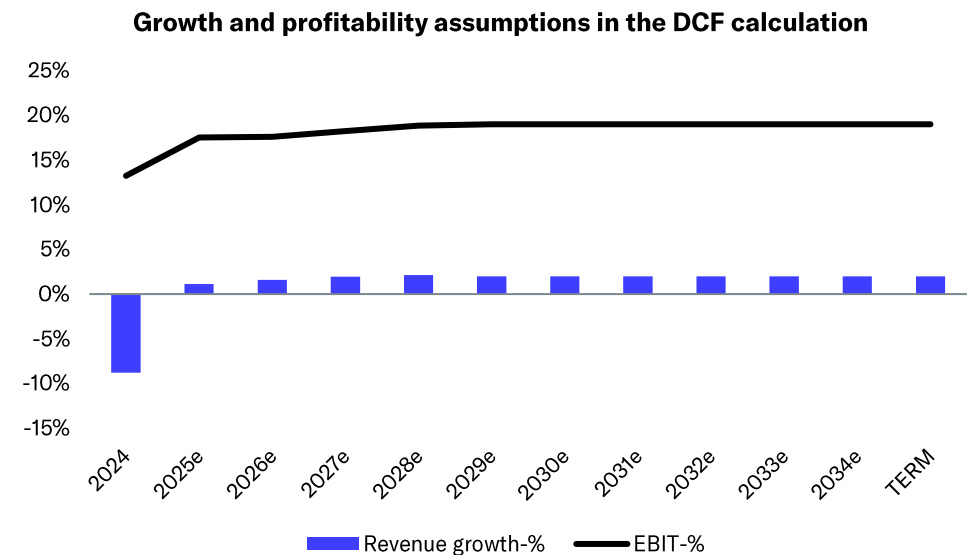
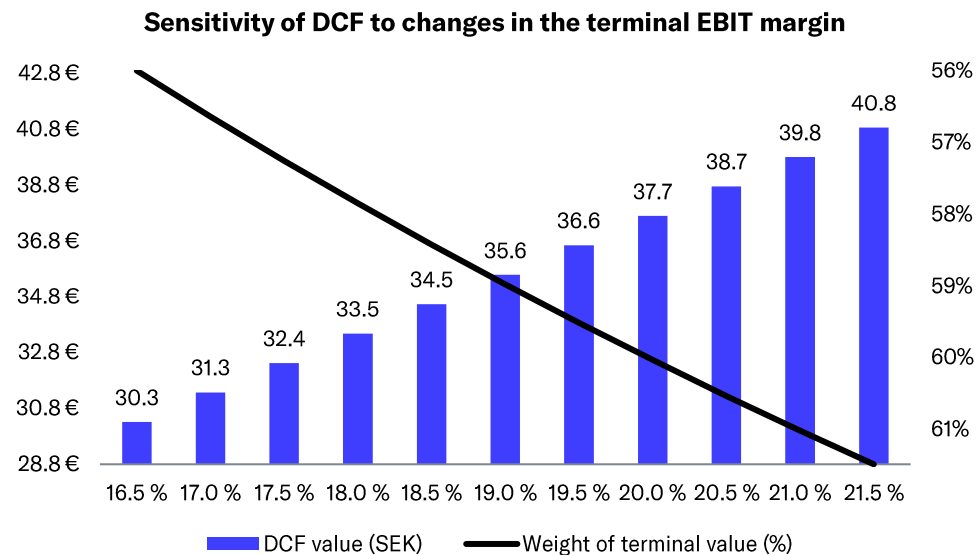
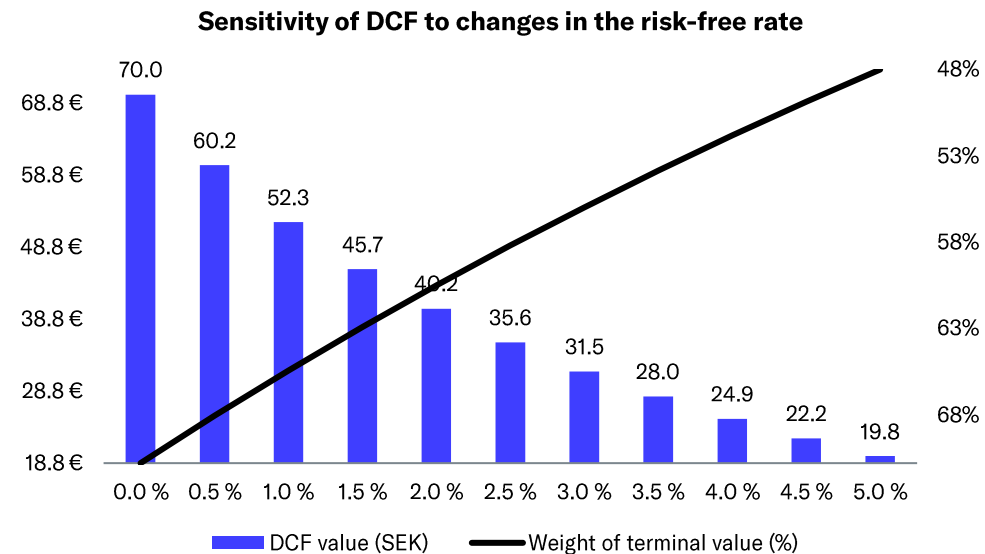
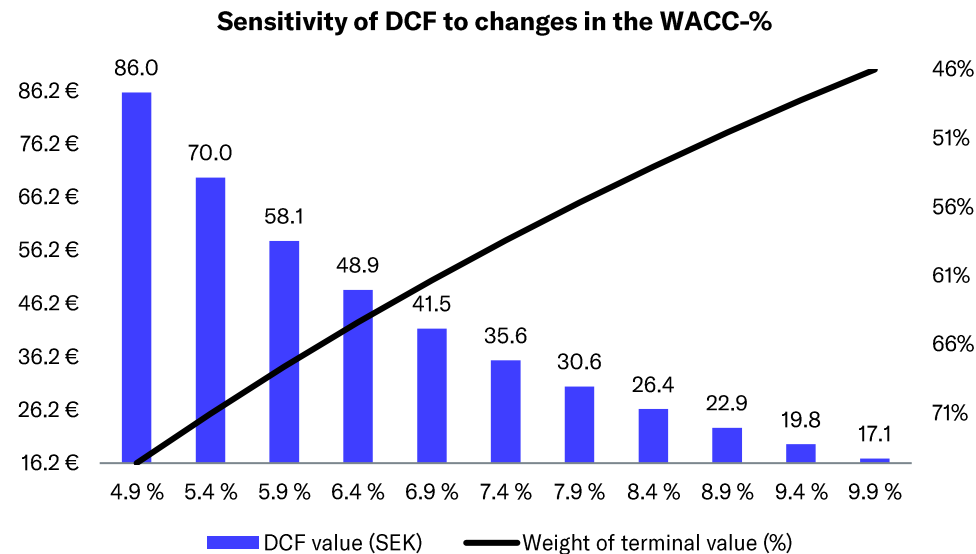
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	-8.8 %	1.1 %	1.6 %	2.0 %	2.1 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	13.2 %	17.5 %	17.6 %	18.2 %	18.9 %	19.0 %	19.0 %	19.0 %	19.0 %	19.0 %	19.0 %	19.0 %
EBIT (operating profit)	10,714	14,338	14,640	15,458	16,331	16,782	17,118	17,460	17,810	18,166	18,529	
+ Depreciation	18,589	17,524	17,510	17,528	17,560	17,586	17,606	17,641	17,688	17,744	17,807	
- Paid taxes	(1,139)	(2,191)	(2,415)	(2,554)	(2,706)	(2,809)	(2,885)	(3,017)	(3,095)	(3,174)	(3,255)	
- Tax, financial expenses	(1,044)	(613)	(640)	(670)	(699)	(690)	(684)	(624)	(618)	(614)	(609)	
+ Tax, financial income	56	31	25	24	25	25	26	26	27	27	28	
- Change in working capital	978	1,023	164	207	230	220	224	229	233	238	243	
Operating cash flow	28,156	30,111	29,283	29,992	30,741	31,114	31,405	31,716	32,044	32,387	32,743	
+ Change in other long-term liabilities	(6,856)	-	-	-	-	-	-	-	-	-	-	
- Gross CAPEX	(12,475)	(12,950)	(17,593)	(17,680)	(17,680)	(17,680)	(17,769)	(17,858)	(17,947)	(18,037)	(18,171)	
Free operating cash flow	8,824	17,161	11,691	12,312	13,060	13,434	13,636	13,858	14,097	14,350	14,572	
+/- Other	2,859	137	-	-	-	-	-	-	-	-	-	
FCFF	11,683	17,298	11,691	12,312	13,060	13,434	13,636	13,858	14,097	14,350	14,572	275760
Discounted FCFF		16,750	10,541	10,338	10,211	9,781	9,245	8,749	8,287	7,855	7,428	140,566
Sum of FCFF present value		239,752	223,002	212,460	202,123	191,911	182,131	172,886	164,137	155,850	147,994	140,566
Enterprise value DCF		239,752										
- Interest bearing debt		(101,993)										
+ Cash and cash equivalents		9,812										
-Minorities		(3,918)										
-Dividend/capital return		(7,846)										
Equity value DCF		139,507										
Equity value DCF per share		35.6										

WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	4.0 %
Equity Beta	1.25
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	8.4 %
Weighted average cost of capital (WACC)	7.4 %

Source: Inderes



DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2022	2023	2024	2025e	2026e	Per share data	2022	2023	2024	2025e	2026e
Revenue	90827	88785	80965	81871	83160	EPS (reported)	-3.63	-0.15	1.08	2.17	2.20
EBITDA	29417	28392	29303	31861	32150	EPS (adj.)	0.53	1.31	1.48	2.29	2.36
EBIT	-9519	4875	10714	14338	14640	OCF / share	6.08	5.64	7.18	7.68	7.46
PTP	-12783	1105	6234	11436	11798	OFCF / share	-2.06	3.05	2.98	4.41	2.98
Net Income	-14638	303	7079	8662	8649	Book value / share	15.92	13.25	14.13	14.34	14.54
Extraordinary items	-20829	-5883	-1589	-459	-600	Dividend / share	2.00	2.00	2.00	2.00	2.05
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	222793	226468	204272	195153	195190	Revenue growth-%	3%	-2%	-9%	1%	2%
Equity capital	67673	56994	59357	60173	60976	EBITDA growth-%	1%	0%	2%	5%	1%
Goodwill	74547	66020	65442	65442	65442	EBIT (adj.) growth-%	14%	-5%	14%	20%	3%
Net debt	79922	80770	82219	75807	74923	EPS (adj.) growth-%	-66%	147%	13%	55%	3%
Cash flow	2022	2023	2024	2025e	2026e	EBITDA-%	33.4 %	34.1 %	38.2 %	39.5 %	39.4 %
EBITDA	29417	28392	29303	31861	32150	EBIT (adj.)-%	12.5 %	12.1 %	15.2 %	18.1 %	18.3 %
Change in working capital	-4416	-2145	978	1023	164	EBIT-%	-10.5 %	5.5 %	13.2 %	17.5 %	17.6 %
Operating cash flow	24541	22760	28156	30111	29283	ROE-%	-20.2 %	-1.0 %	7.7 %	15.3 %	15.3 %
CAPEX	-25955	-12622	-12475	-12950	-17593	ROI-%	-5.8 %	3.3 %	7.2 %	10.0 %	10.5 %
Free cash flow	-8306	12293	11683	17298	11691	Equity ratio	30.4 %	25.2 %	29.1 %	30.8 %	31.2 %
						Gearing	118.1 %	141.7 %	138.5 %	126.0 %	122.9 %
Valuation multiples	2022	2023	2024	2025e	2026e						
EV/S	2.1	2.2	2.6	2.7	2.7						
EV/EBITDA	6.6	6.8	7.3	7.0	6.9						
EV/EBIT (adj.)	17.2	17.8	17.3	15.1	14.6						
P/E (adj.)	50.3	19.6	20.7	15.3	14.8						
P/B	1.9	2.3	2.6	3.0	2.9						
Dividend-%	7.5 %	7.8 %	6.5 %	5.7 %	5.9 %						

Source: Inderes

The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years. Per-share figures are calculated using the number of shares at year-end.

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Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
7/23/2018	Accumulate	44.0 SEK	39.1 SEK
10/22/2018	Accumulate	45.0 SEK	40.3 SEK
1/28/2019	Accumulate	44.0 SEK	39.8 SEK
3/27/2019	Accumulate	44.0 SEK	41.4 SEK
4/26/2019	Accumulate	44.0 SEK	40.8 SEK
7/18/2019	Reduce	44.0 SEK	42.9 SEK
10/18/2019	Reduce	42.0 SEK	41.7 SEK
1/14/2020	Reduce	42.0 SEK	40.6 SEK
1/30/2020	Reduce	42.0 SEK	41.8 SEK
3/19/2020	Accumulate	39.0 SEK	34.0 SEK
3/27/2020	Accumulate	38.0 SEK	35.0 SEK
4/23/2020	Accumulate	38.0 SEK	34.1 SEK
7/20/2020	Accumulate	38.0 SEK	36.3 SEK
10/22/2020	Accumulate	38.0 SEK	37.2 SEK
1/27/2021	Accumulate	38.0 SEK	36.6 SEK
2/1/2021	Accumulate	40.0 SEK	36.7 SEK
4/26/2021	Accumulate	40.0 SEK	35.1 SEK
7/22/2021	Accumulate	40.0 SEK	38.1 SEK
10/22/2021	Accumulate	39.0 SEK	35.6 SEK
1/31/2022	Accumulate	39.0 SEK	36.3 SEK
4/28/2022	Reduce	41.0 SEK	41.4 SEK
7/21/2022	Accumulate	41.0 SEK	37.2 SEK
10/24/2022	Reduce	29.0 SEK	28.3 SEK
1/27/2023	Reduce	29.0 SEK	26.7 SEK
4/27/2023	Reduce	29.0 SEK	28.0 SEK
7/21/2023	Reduce	25.0 SEK	24.5 SEK
10/5/2023	Reduce	24.0 SEK	22.6 SEK
10/20/2023	Reduce	26.0 SEK	25.4 SEK
1/29/2024	Reduce	26.0 SEK	26.9 SEK
4/26/2024	Reduce	26.0 SEK	25.9 SEK
7/19/2024	Reduce	29.0 SEK	30.6 SEK
9/27/2024	Reduce	32.0 SEK	33.8 SEK
10/25/2024	Reduce	32.0 SEK	31.9 SEK
1/31/2025	Reduce	32.0 SEK	31.7 SEK
4/17/2025	Reduce	32.0 SEK	35.8 SEK
4/25/2025	Reduce	34.0 SEK	35.4 SEK
7/14/2025	Reduce	34.0 SEK	33.2 SEK
7/21/2025	Reduce	35.0 SEK	35.0 SEK



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